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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

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LETTER 502
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AMERICA HAS PLENTY OF CORN

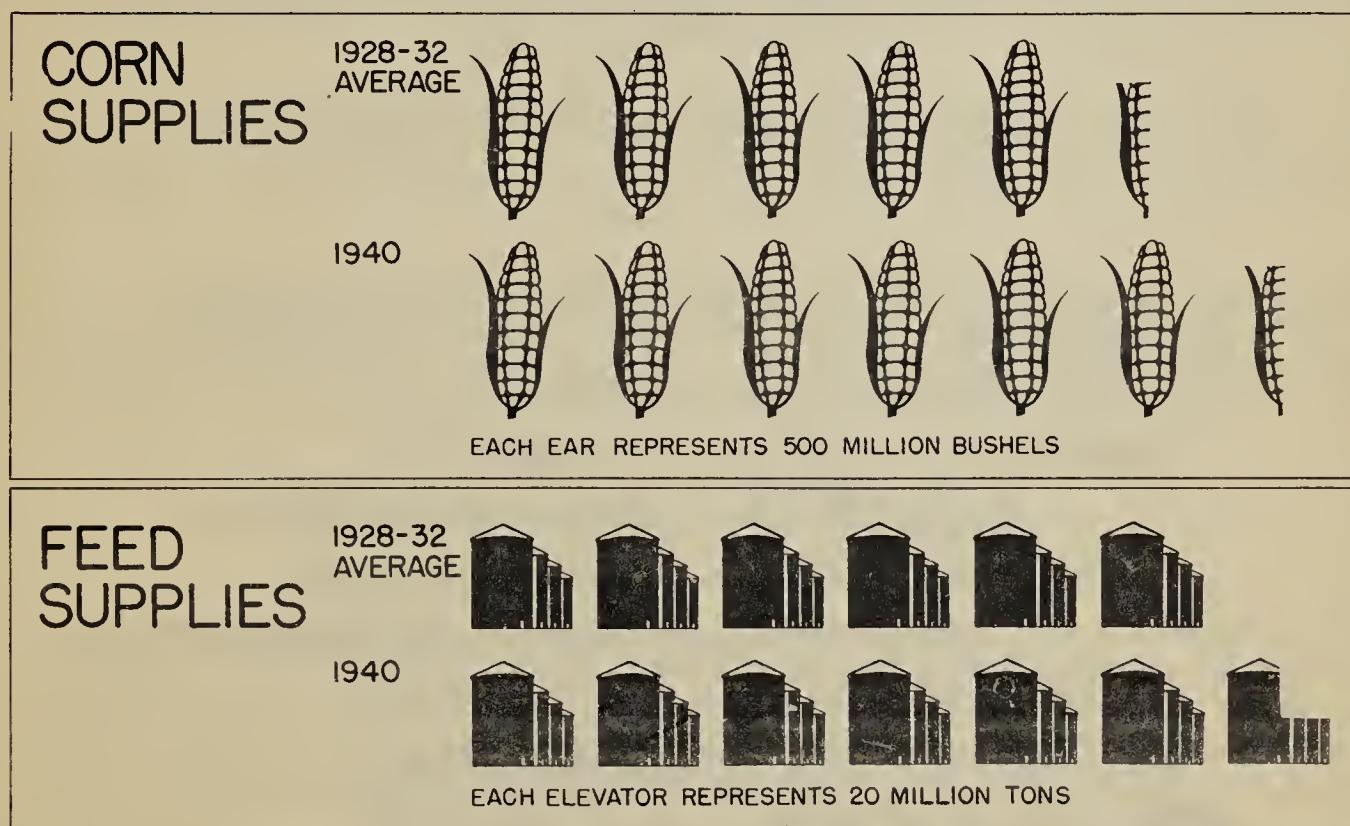
The United States entered the 1940-41 corn marketing year with a ^{part of} of Agriculture corn supply of 3,150,000,000 bushels of corn--nearly the largest on record.

Our total supply of all livestock feeds for the year is 135 million tons, or about 16 million tons larger than during the 1928-32 period. This includes feed grains, high protein concentrates, and millfeeds. The hay supply is about 15 percent above the 1928-32 average.

There is enough corn and other feed on hand to produce more meat and livestock products than the American public has ever consumed in any one year.

Changes in hog numbers normally lag about two years behind changes in livestock feed supplies. With cattle production, the lag is even longer--three to five years. Thus our feed supply is now large enough to assure abundant meat production for several years to come.

The chart below sums up the current supply situation:



Suggested Questions for Discussion: Do we have enough livestock feed on hand? Too much? Too little? What part does the Ever-Normal Granary play in the National Defense Program? Have farmers done a good job of providing abundance for the nation?

THE EVER-NORMAL GRANARY

The Corn Loan Program has enabled farmers to carry over the present large corn supplies without depressing the market price.

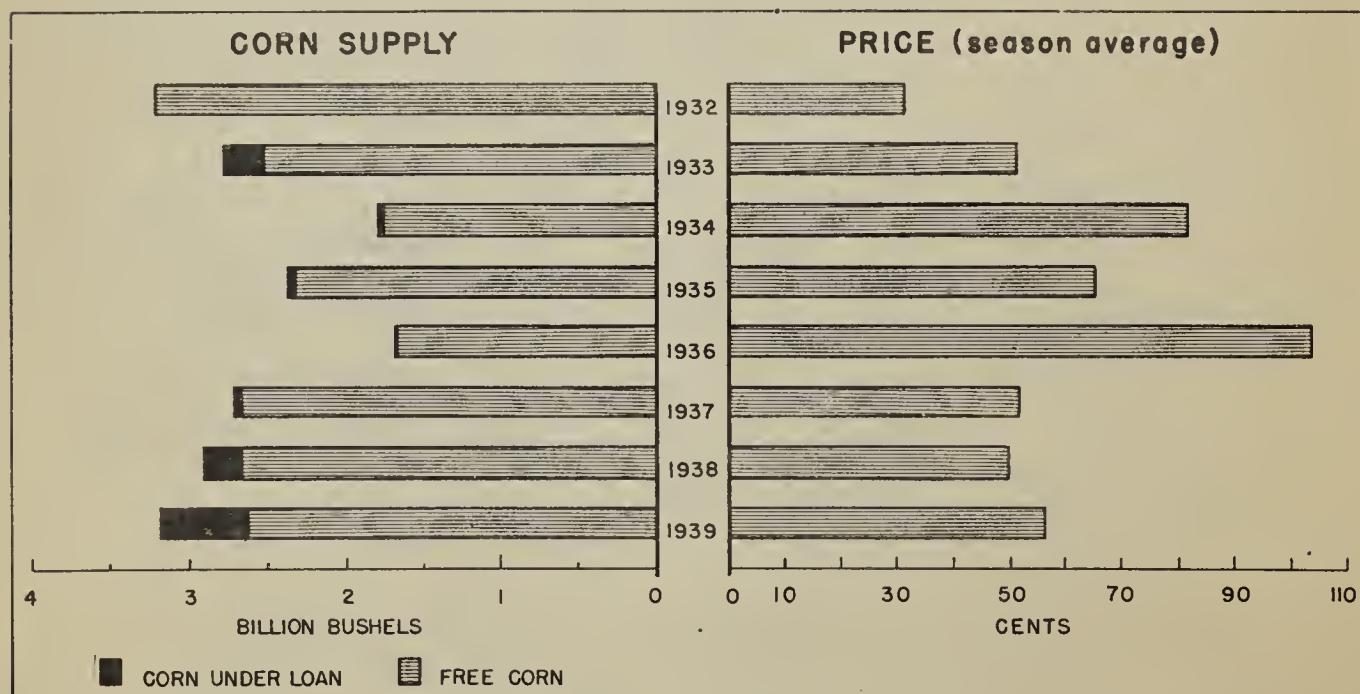
A year ago, in 1939-40, the United States corn supply was 3,185,000,000 bushels. That is larger than in any year since 1932-33, when the total supply was 3,202,000,000 bushels. Yet the season average farm price for corn last year was about 57 cents per bushel, compared with 32 cents in 1932-33.

The reason for the difference is that the amount of free corn largely determines the market price. When there is considerable corn under loan, the supply of free corn is reduced a corresponding amount. Buyers pay more; farmers receive more; everyone gets more business from farmers.

Even with the corn loan, farmers did not receive parity price for their corn. Some livestock feeders did not buy feed to carry as much livestock as they would have liked. But that is just what protected livestock producers. It helped to get hog and cattle marketings in line with consumer buying power.

With the loan, conservation payment, and parity payment, AAA cooperators got around 70 cents a bushel for corn. And there was no wholesale liquidation of livestock in drought areas.

The chart below compares corn supplies and prices in the years since 1932:



Suggested Questions for Discussion: In what other years has the United States corn supply been as large as the 1940-41 supply? What happened to corn prices in those years? What was the effect on livestock production and prices? What part does the AAA Program play in corn and livestock prices today? Should the United States increase corn production next year?

THE ARGENTINE CORN SITUATION

Argentina, only major nation besides the United States that produces surplus corn, has a critical corn surplus problem this year.

Argentine farmers have no acreage control program. In 1940, following two years of serious drought, they produced a crop of 319 million bushels. Although that is only about one-eighth of the United States production, it is an above-normal crop in Argentina -- 25 percent larger than the average of the last five years.

Argentina normally exports most of its corn. Now its export markets are largely closed by the European blockade. On January 1, 1941, with a new crop of corn ready to be harvested in April, around three-fourths of the big 1940 crop remained on hand.

The Argentine Government purchased the corn crop at a price which netted farmers about 20 cents per bushel for ear corn on the farm. In November, the Argentine Grain Board offered this Government-owned corn for sale as fuel to railway companies and factories.

Suggested Questions for Discussion: How do Argentina's corn supply and price situation compare with ours? Can the United States farmers afford unlimited corn production as a result of the European War and the National Defense Program?

THE 1941 CORN ALLOTMENT

The commercial corn allotment for 1941 is 37,300,000 acres. That provides practically the same allotment for the 1940 area as in 1940. Twenty-four new counties are in the 1941 corn area. If all farmers plant within their allotments, we can expect, with normal weather, almost as large a supply of corn as we have this year.

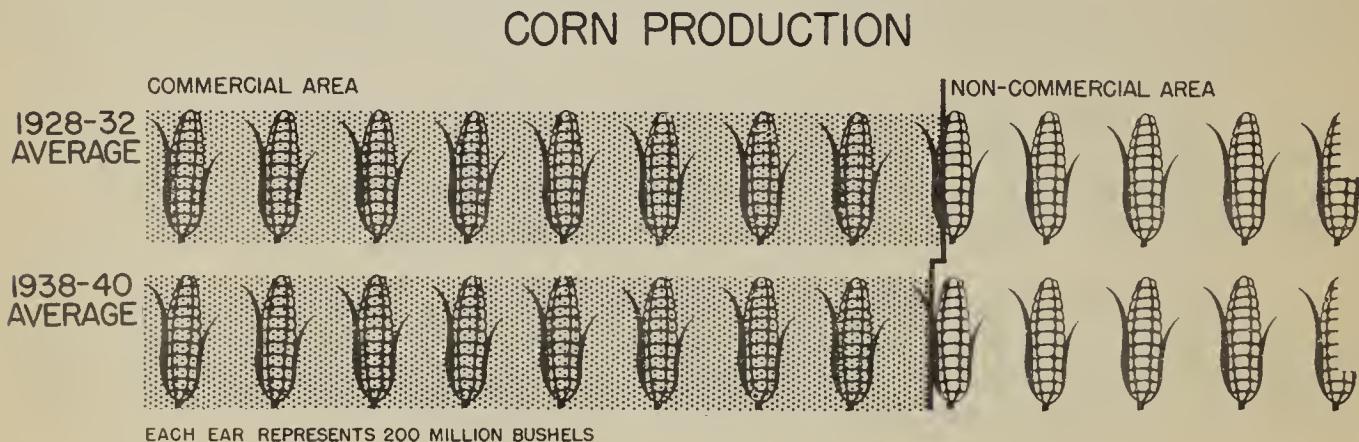
If many farmers stay out of the program, or if yields are far above normal, we will have too much corn. If we consistently produce more corn than we need, the Government's security for its loans will become too hazardous and the loan program will collapse.

Last year the commercial corn area allotment was 36,638,000 acres. Actual plantings in the commercial corn area were over 39 million acres. In order to keep corn supplies at the most desirable level, it was sought to produce a corn crop of 2,200,000,000 bushels. The actual crop was about 250,000,000 bushels above this.

Had it not been for the war and the defense program, the corn allotment probably would have been reduced this year. Because of uncertainty as to the future, allowance was made for the world situation in computing our probable needs and the allotment remained the same, even though it may make the Ever-Normal Granary more costly.

Practically all the corn which was produced in 1940 in excess of the national production goal was produced in the commercial corn area. Outside the commercial corn area, a normal crop of about 950 million bushels was produced.

The chart below compares corn production in the commercial area and outside the area for several recent years:



Suggested Questions for Discussion: How much have corn yields increased in the last few years? What is the significance of the addition of counties in the Eastern States to the commercial corn area? What situation may be expected if the 1941 corn allotment is greatly overproduced?

CORN MARKETING QUOTAS

The nation has been close to the corn marketing quota level for two seasons. In both 1939 and 1940, the final corn supply was above the marketing quota level, but the crop developed late in the season in both years and it was not apparent that quotas might be needed until after the time set to proclaim them.

The quota level varies with conditions, but in general it is in the neighborhood of 3 billion bushels. With normal production on the corn

allotment next year, we might expect a supply of less than 3 billion bushels. If we go much above this, marketing quotas will be necessary.

If marketing quotas are proclaimed, they go into effect only if approved by two-thirds of the corn farmers voting in a referendum.

If quotas go into effect, they do not apply to the AAA cooperator who is within his corn allotment, because by planting within his allotment, any farmer complies automatically with his corn marketing quota. The cooperator may market his entire corn crop by selling it or feeding it to livestock. He is eligible for a corn loan at the full rate, just as in past years.

On the other hand, the noncooperator, who has overplanted his corn allotment, can market only part of his corn--the part which is his share of the national marketing quota. That quota is all that he can feed or sell. The rest must be stored on his farm. He can get a loan on this storage amount, but at only 60 percent of the loan rate to cooperators. This storage amount is the normal yield of the corn acreage on his farm in excess of the allotment. However, a farmer who gets an actual yield below normal on his farm would have a storage amount equal to the actual production in excess of the normal yield of his farm's corn allotment.

If quotas are proclaimed and voted down in the referendum, there are no corn loans to anyone, since the Government would not have sufficient security for its money to warrant making them.

Suggested Questions for Discussion: How would you have been affected if corn marketing quotas had been in effect in 1940? What would the price of corn have been if quotas had been proclaimed last fall and voted down in the referendum? How can farmers avoid the necessity for marketing quotas on the 1941 corn supply?

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SUPPLEMENTARY MATERIAL

For other recent material relating to corn and livestock, see: "Questions and Answers About the AAA Farm Program," issued in June, 1940; and "Argentine Government to Sell Corn as Fuel," distributed in November, 1940. "European War, American Agriculture, and National Defense," to be issued as a printed publication in the near future, will also be found useful in this connection.

